

Message Text

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PAGE 01 MOSCOW 14238 061737Z

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 5221

S E C R E T MOSCOW 14238

EXDIS

FOR DENNIS WOOD FROM UNDER SECRETARY ROBINSON

E.O. 11652 GDS

TAGS: ENRG, ETRD, UR, US

SUBJ: GRAIN/OIL NEGOTIATIONS

REF: STATE 237378

1. IN RESPONSE TO REFTEL THE TEXT OF SOVIET DRAFT LETTER OF INTENT ON OIL FOLLOWS. THEIR DRAFT FOLLOWS OUR OWN TEXT INCLUDING THE INTENTION TO CONCLUDE AN AGREEMENT WITHIN THIRTY DAYS EXCEPT FOR THE FOLLOWING ITEMS:

A. QUANTITY IS 10 MILLION METRIC TONS INSTEAD OF 10 TO 12 MILLION TONS.

B. PURCHASES BY PRIVATE FIRMS ARE TO BE MADE BY AGREEMENT OF THE PARTIES.

C. IN SUBPARAGRAPH 3 THE WORDS "AT LEAST" HAVE BEEN CHANGED TO "ABOUT".

D. SUBPARAGRAPH 6 CONCERNING PRICE HAS BEEN SUBJECT TO MAJOR REVISION AS SHOWN.

2. ALL CHANGES EXCEPT FOR PARAGRAPH 6 APPEAR ACCEPTABLE AND WE ARE FOCUSING OUR EFFORTS ON THAT PARAGRAPH.

SECRET

SECRET

PAGE 02 MOSCOW 14238 061737Z

BEGIN TEXT

DEAR MR. MINISTER:

THIS IS TO CONFIRM THE UNDERSTANDING ARISING OUT OF OUR DISCUSSIONS OCTOBER 2-4 THAT OUR TWO GOVERNMENTS INTEND, WITHIN 30 DAYS, TO CONCLUDE AN AGREEMENT CONCERNING THE PURCHASE AND SHIPMENT OF SOVIET OIL. THIS AGREEMENT WILL PROVIDE FOR THE FOLLOWING:

1) THE GOVERNMENT OF THE USSR WILL, FOR A PERIOD OF FIVE YEARS, OFFER FOR SALE ANNUALLY 10 MILLION METRIC TONS OF OIL AND PETROLEUM PRODUCTS.

2) THE GOVERNMENT OF THE UNITED STATES MAY PURCHASE THE CRUDE OIL AND PETROLEUM PRODUCTS FOR ITS OWN USE OR, BY THE AGREEMENT OF THE PARTIES, THE PURCHASE OF CRUDE OIL AND PETROLEUM PRODUCTS CAN BE CARRIED OUT BY THE UNITED STATES FIRMS.

3) ABOUT 70 PERCENT OF THE TOTAL QUANTITY OFFERED FOR SALE WILL BE CRUDE OIL. THE REMAINDER MAY BE PETROLEUM PRODUCTS, IN PARTICULAR DIESEL OIL AND NAPHTHA.

4) SOME PORTION OF THE CRUDE OIL OR PETROLEUM PRODUCTS WILL BE SHIPPED TO THE UNITED STATES, IN PARTICULAR IN TANKERS USED TO TRANSPORT GRAIN FROM THE UNITED STATES TO THE SOVIET UNION.

5) SOME PORTION OF THE CRUDE OIL OR PETROLEUM PRODUCTS MAY BE USED IN EUROPE OR IN OTHER AGREED MARKETING AREAS.

6) PRICES FOR CRUDE OIL AND PETROLEUM PRODUCTS SHOULD BE MUTUALLY AGREED AND WILL BE ESTABLISHED IN THE CONTRACTS ON THE BASIS OF WORLD PRICES, TAKING INTO ACCOUNT THE QUALITY OF THE CRUDE OIL AND PETROLEUM PRODUCTS SUPPLIED AND TRANSPORTATION CONDITIONS.

IN ADDITION, IT IS FURTHER UNDERSTOOD THAT BOTH GOVERNMENTS WILL WORK FOR THE EXTENSION AND EXPANSION OF THE COOPERATIVE EFFORTS ALREADY UNDERWAY IN THE FIELD OF ENERGY. SUCH

SECRET

SECRET

PAGE 03 MOSCOW 14238 061737Z

EFFORTS WILL BE PARTICULARLY DIRECTED TOWARDS THE FULLER APPLICATION OF THE TECHNOLOGICAL CAPABILITIES OF BOTH COUNTRIES IN INCREASING THE ENERGY OUTPUT FROM EXISTING SOURCES AND IN DEVELOPING NEW SOURCES OF ENERGY. END TEXT.
STOESSEL

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